

FIFE LAKE PUBLIC LIBRARY
FIFE LAKE, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

MAY 22 2006

Michigan Department of Treasury
496 (02/06)

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Fife Lake Public Library	County Grand Traverse
Fiscal Year End December 31, 2005	Opinion Date March 8, 2006	Date Audit Report Submitted to State May 19, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- Check each applicable box below.** (See instructions for further detail.)
- YES ☒ NO ☐
- ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ The local unit has adopted a budget for all required funds.
 - ☒ A public hearing on the budget was held in accordance with State statute.
 - ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ The local unit is free of repeated comments from previous years.
 - ☒ The audit opinion is UNQUALIFIED.
 - ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.


We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Barry E. Gaudette, CPA, PC	Telephone Number (231) 946-8930		
Street Address 1107 E. Eighth Street	City Traverse City	State MI	Zip 49686
Authorizing CPA Signature 	Printed Name Barry E. Gaudette	License Number 11050	

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Library Board
Fife Lake Public Library
Fife Lake, Michigan

I have audited the accompanying financial statements of the governmental activities and each major fund of the Fife Lake Public Library, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Fife Lake Public Library's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note I, the financial statements present only the Fife Lake Public Library Fund (a special revenue fund) and is not intended to present fairly the financial position and results of operations of any of the participating municipality, in conformity with accounting principles generally accepted in the United States of America.

Fife Lake Public Library
Independent Auditors' Report
Page Two

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Fife Lake Public Library, Fife Lake, Michigan, as of December 31, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the Special Revenue Fund.

As described in Note IV(C), the Fife Lake Public Library has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended and interpreted, as of December 31, 2005.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Gary E. Vandell, CPA, PC

March 8, 2006

BASIC FINANCIAL STATEMENTS

Fife Lake Public Library
Statement of Net Assets
December 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash-general accounts	\$ 33,265
Cash-building accounts	107,497
Capital assets (net of accumulated depreciation):	
Land	30,000
Building	337,188
Office equipment	986
Books and magazines	<u>77,275</u>
Total Assets	<u>586,211</u>
 LIABILITIES	
Liabilities:	
Accounts payable	54,566
Payroll liabilities	<u>1,414</u>
Total liabilities	<u>55,980</u>
 NET ASSETS	
Unrestricted	<u>530,231</u>
Total net assets	<u><u>\$ 530,231</u></u>

See notes to financial statements

Fife Lake Public Library
Government-Wide
Statement of Activities
For the Year Ended December 31, 2005

Programs	Program Revenues			
	<u>Expenses</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Governmental activities:				
Culture:				
Library	\$ 63,694	\$	\$ 73,282	\$ 182,214
Other:				
Depreciation	<u>18,653</u>	<u> </u>	<u> </u>	<u> </u>
Total governmental activities	<u>\$ 82,347</u>	<u>\$</u>	<u>\$ 73,282</u>	<u>\$ 182,214</u>

General revenues:

Penal fines
Interest earnings
Reimbursements
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expenses)
Revenues and
Changes in
Net Assets

\$ 191,802

(18,653)

173,149

5,849

3,917

1,395

2,787

13,948

187,097

343,134

\$ 530,231

Fife Lake Public Library
Balance Sheet
Governmental Funds
December 31, 2005

	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash-general accounts	\$ 33,265	\$ 33,265
Cash-building accounts	<u>107,497</u>	<u>107,497</u>
Total Assets	<u>\$ 140,762</u>	<u>\$ 140,762</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 54,566	\$ 54,566
Payroll liabilities	<u>1,414</u>	<u>1,414</u>
Total liabilities	<u>55,980</u>	<u>55,980</u>
 Fund balances:		
Unreserved	<u>84,782</u>	<u>84,782</u>
Total fund balances	<u>84,782</u>	<u>84,782</u>
 Total liabilities and fund balances	<u>\$ 140,762</u>	<u>\$ 140,762</u>

See notes to financial statements

Fife Lake Public Library
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
December 31, 2005

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 84,782
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	773,440
Accumulated depreciation	<u>(327,991)</u>

Total Net Assets - Governmental Activities	<u>\$ 530,231</u>
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See notes to financial statements

Fife Lake Public Library
Statement of Revenues, Expenditures, and Changes
in Fund Balance
Governmental Funds
For the Year Ended December 31, 2005

	<u>Special Revenue</u>	<u>Total Governmental Funds</u>
REVENUES		
Local sources:		
Traverse Area District Library	\$ 70,375	\$ 70,375
Springfield Township	1,438	1,438
Contributions	182,364	182,364
State aid	1,319	1,319
Penal fines	5,849	5,849
Interest earnings	3,917	3,917
Reimbursements	1,395	1,395
Other	2,787	860
Total revenues	<u>269,444</u>	<u>269,444</u>
EXPENDITURES		
Current:		
Culture:		
Library:		
Salaries	43,254	43,254
Repairs and maintenance	3,498	3,498
Payroll taxes	2,831	2,831
Utilities	2,722	2,722
Employee benefits	2,400	2,400
Newsletters	2,179	2,179
General office supplies	1,654	1,654
Dues and membership fees	1,194	1,194
Telephone	1,182	1,182
Reading programs	1,027	1,027
Professional fees	498	498
Workshops	497	497
Mileage reimbursement	444	444
Insurance	206	206
Equipment/furniture	64	64
Building improvements	44	44
Capital outlay:		
Books and magazines	11,380	11,380
Building construction	<u>294,901</u>	<u>294,901</u>
Total expenditures	<u>369,975</u>	<u>369,975</u>
Net changes in fund balances	(100,531)	(100,531)
Fund balances-beginning	<u>185,313</u>	<u>185,313</u>
Fund balances-ending	<u>\$ 84,782</u>	<u>\$ 84,782</u>

See notes to financial statements

Fife Lake Public Library
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
To the Statement of Activities
For the Year Ended December 31, 2005

Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - governmental funds	\$(100,531)
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Governmental funds report capital outlays
as expenditures. However, in the statement
of activities the cost of those assets is
allocated over their estimated useful lives
and reported as depreciation expense.

The amount by which capital outlays
exceeded depreciation in the period.

Capital outlays	\$ 306,281	
Depreciation expense	(18,653)	<u>287,628</u>

Change in net assets of governmental activities	<u>\$ 187,097</u>
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See notes to financial statements

Fife Lake Public Library
Special Revenue Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances
-Budget and Actual
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Local sources:				
TADL	\$ 70,581	\$ 70,581	\$ 70,375	\$ (206)
Springfield Township	1,500	1,500	1,438	(62)
Contributions	1,000	237,725	182,364	(55,361)
State aid	700	700	1,319	619
Penal fines	6,000	6,000	5,849	(151)
Interest earnings	2,500	6,500	3,917	(2,583)
Reimbursements			1,395	1,395
Other	1,200	1,200	2,787	1,587
Total revenues	<u>83,481</u>	<u>324,206</u>	<u>269,444</u>	<u>(54,762)</u>
EXPENDITURES				
Current:				
Culture:				
Library:				
Salaries	44,000	44,000	43,254	746
Payroll taxes	3,800	3,800	2,831	969
Repairs & maint.	3,950	3,950	3,498	452
Utilities	2,800	2,800	2,722	78
Employee benefits	2,600	2,600	2,400	200
Newsletters	2,200	2,200	2,179	21
Office supplies	2,150	2,150	1,654	496
Dues & memberships	1,225	1,225	1,194	31
Telephone	1,500	1,500	1,182	318
Reading programs	1,150	1,150	1,027	123
Professional fees	1,586	1,586	498	1,088
Workshops	600	600	497	103
Mileage	550	550	444	106
Insurance	1,500	1,500	206	1,294
Equipment/furniture	300	300	64	236
Building improve.	500	500	44	456
Bank charges	20	20		20
Computer software	100	100		100
Capital outlay:				
Books & magazines	12,950	12,950	11,380	1,570
Building construction		<u>240,725</u>	<u>294,901</u>	<u>(54,176)</u>

Fife Lake Public Library
Special Revenue Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balances
-Budget and Actual
For the Year Ended December 31, 2005
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>With</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Total expenditures	<u>83,481</u>	<u>324,206</u>	<u>369,975</u>	<u>(45,769)</u>
Net change in fund balances			<u>(100,531)</u>	<u>(100,531)</u>
Fund balances- beginning	<u> </u>	<u> </u>	<u>185,313</u>	<u>185,313</u>
Fund balances- ending	<u>\$ </u>	<u>\$ </u>	<u>\$ 84,782</u>	<u>\$ 84,782</u>

See notes to financial statements

**Fife Lake Public Library
Notes to Financial Statements
December 31, 2005**

I. Summary of significant accounting policies

The financial statements of the Fife Lake Public Library (the Library) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Library's accounting policies are described below.

A. Reporting entity

The Fife Lake Public Library was established as a Township Library in 1887. The Library Administrative Board consists of six members who are elected by the voters of Fife Lake Township during regular Township elections.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Library. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Library has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Library has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns

in the financial statements.

C. Measurement focus, basis of accounting and basis of presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

Property taxes, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Library are recognized as revenue at that time.

The Library reports the following major governmental funds:

The *special revenue fund* is the Library's primary operating fund. It accounts for all financial resources of the Library.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, liabilities, and net assets

1. Deposits and investments

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Library to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Library is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Library Board has designated one bank for the deposit of Library funds.

2. Capital assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Library is depreciated using the straight-line method over the following estimated useful lives:

Building	40 years
Office equipment	5 years
Books and magazines	5 years

3. Compensated absences

The Library does not have a compensated absence policy.

4. Fund balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

5. Use of estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

II. Stewardship, compliance and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Library follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Management submits to the Library Board a proposed budget for the fiscal year commencing on January 1st. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - special revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31st, the budget is legally adopted by the Library Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978).

The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.

4. Management is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Library Board.
5. Formal budgetary integration is employed as a management control device during the year for the special revenue fund.
6. The budget as presented, has been amended.

B. Excess of expenditures over appropriations

During the year ended December 31, 2005, the Library incurred expenditures in excess of amounts appropriated in the capital outlay for building construction of \$54,176. An account payable was set up as of December 31, 2005 in the amount of \$54,566 causing the excess expenditure over appropriation.

III. Detailed notes on all funds

A. Deposits, investments and credit risk

Deposits

At year-end, the carrying amount of the Library's deposits were \$140,762 and the bank balance was \$144,802, of which \$144,802 was covered by federal depository insurance.

Investments

The Library does not have any investments.

Interest Rate Risk - The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - The Library's investment policy approves the following securities and deposit accounts: U.S. Treasury bills, U.S. Treasury certificates, notes and bonds,

certificate of deposits, commercial business savings accounts, money market accounts, obligations which are lawful investments for fiduciary and trust funds under the jurisdiction of the United States Government, Series E savings bonds and Series H savings bonds.

The Library shall deposit excess monies in the general fund and all other operating fund accounts in time, savings, or share accounts with banks or other institutions, to the extent that all unsecured deposits or accounts are insured by: the Federal Deposit Insurance Corporation(FDIC), National Credit Union Share Insurance Fund(NCUSIF), or State Insurance plans which are approved by the United States Comptroller of the currency as an eligible depository of trust funds of National Banks, respectively.

All excess monies over the insured limits of the financial institution or banks, the Library shall obtain collateralization of excess funds at 100% of the principal value. Such collateralization shall be in the form of U.S. Treasury Notes or Bonds in the name of the Library held in trust by the financial institution or bank. The Library may choose collateralization in the following form and percentages:

- | | |
|-------------------------------------|------------|
| 1. U.S. Treasury Notes | - 100%; or |
| 2. U.S. Treasury Notes and/or Bonds | - 75% and |
| 3. Mortgage Backed Securities | - 25% |

In any such case the collateralization shall be no less than 100% of value of the funds in all accounts. The financial institution shall provide a statement of the following collateralization at a minimum once every quarter to the Library.

The Library has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The Library places no limit on the amount the Library may invest in any one issuer. If the Library had any investments they would be reported in the Special Revenue Fund.

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	<u>\$ 140,762</u>
Cash and cash equivalents:	
Special revenue fund	\$ 144,802
Checks written in excess of deposits	<u>(4,040)</u>
Total	<u>\$ 140,762</u>

B. Capital assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	<u>Beginning Balance</u>	<u>Increases (Decreases)</u>	<u>Ending Balance</u>
Governmental Activities:			
Capital assets, not being depreciated	\$ 30,000	\$	\$ 30,000
Capital assets being depreciated:			
Building	42,287	294,901	337,188
Office equipment	11,465		11,465
Books & magazines	<u>383,407</u>	<u>11,380</u>	<u>394,787</u>
Total capital assets being depreciated	<u>437,159</u>	<u>306,281</u>	<u>743,440</u>
Less accumulated depreciation for:			
Building	(-)	(-)	(-)
Office equipment	(9,986)	(493)	(10,479)
Books & magazines	<u>(299,352)</u>	<u>(18,160)</u>	<u>(317,512)</u>
Total accumulated depreciation	<u>(309,338)</u>	<u>(18,653)</u>	<u>(327,991)</u>
Total capital assets, being depreciated, net	<u>127,821</u>	<u>287,628</u>	<u>415,449</u>
Governmental activities capital assets-net of depreciation	<u>\$ 157,821</u>	<u>\$ 287,628</u>	<u>\$ 445,449</u>

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
Culture	\$ <u>18,653</u>
Total depreciation expense- governmental activities	\$ <u>18,653</u>

IV. Other information

A. Risk management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Library has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

B. Pension Plan

The Library does not provide a pension plan for its employees.

C. Implementation of new accounting standard

As of and for the year ended December 31, 2005, the Library implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

COMMENTS AND RECOMMENDATIONS

Barry E. Gaudette, CPA, P.C.
CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

Members of the Board of Directors
Fife Lake Public Library
Fife Lake, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

Credit Card

The Library has a credit card, but as of December 31, 2005 the Library did not have a credit card policy. On March 10, 2006, the Library adopted a credit card policy.

Keys

The Library has distributed keys to the building to at least six individuals. I recommend that the Library board consider issuing keys to a smaller number of individuals to improve the control of the Library's assets.

Petty Cash

Currently the petty cash/change funds is kept in an unlocked drawer. I recommend that the petty cash/change funds be kept in a safe after business hours.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Library Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

March 8, 2006